MOXIE EXPLORATION LTD.

2001 Annual Report

Corporate Profile

Moxie Exploration Ltd. is an exploration and development company focused on exploring for natural gas in southern Alberta. The Company was formed in late 1999 to pursue an opportunity on Siksika First Nation lands at Jumpbush, approximately 100 kilometres southeast of Calgary. Over the past two years, the Company has expanded its operations south and west of the First Nation lands to include projects in the Majorville and West Jumpbush areas.

The Company is primarily a natural gas producer with approximately 92% of its production revenue coming from natural gas. Consequently, the company converts its production of crude oil and natural gas liquids into thousands of cubic feet equivalent ("Mcfe") on the basis of one barrel of oil and/or natural gas liquids into 10 Mcf of gas.

Annual Meeting

The Annual General Meeting will be held in the offices of Bennett Jones at Bankers Hall East, 4500 – 855 – 2nd Street S.W., Calgary, Alberta on Thursday, April 25, 2002 at 10:00 a.m.. Shareholders are encouraged to attend and those unable to do so should complete the form of proxy included with this annual report and forward it at their earliest convenience.

Contents

Highlights for the year ended December 31

		2001		*2000*
Financial				
Gross revenues	**$**	**916,779**	$	256,496
Net income (loss)	**$**	**1,208**	$	(37,298)
Per share – basic	**$**	**0.00**	$	(0.00)
Per share – diluted	**$**	**0.00**	$	(0.00)
Funds from operations	**$**	**415,125**	$	118,976
Per share – basic	**$**	**0.01**	$	0.01
Per share diluted	**$**	**0.01**	$	0.01
Net asset value (at 12% pre-tax)	**$**	**12,507,713**	$	3,463,328
Per share - basic	**$**	**0.30**	$	0.13
Per share – diluted	**$**	**0.29**	$	0.14
Capital expenditures	**$**	**5,655,678**	$	1,740,753
Working capital	**$**	**636,712**	$	2,355,378
Operating				
Production				
Natural gas – Mcf/d		**607**		140
Crude oil and natural gas liquids – Bbls/d		**5**		–
Total production – Mcfe/d @ 10:1		**660**		140
Reserves				
Proven				
Natural gas – Mmcf		**4,130**		227
Crude oil and natural gas liquids – Mbbls		**21.5**		–
Probable				
Natural gas – Mmcf		**4,062**		304
Crude oil and natural gas liquids – Mbbls		**14.7**		–
Wells drilled				
Gross		**14**		4
Net		**7.8**		2
Undeveloped land (hectares)				
Gross		**10,929**		10,594
Net		**7,090**		5,249
Common shares				
Basic		**42,149,412**		27,461,259
Diluted		**48,733,570**		32,093,776

OXIE EXPLORATION LTD.

Message to Our Shareholders

We are pleased to report the progress that has been made during the past year. Moxie entered 2001 with an inventory of drillable gas prospects on Company controlled lands, working capital of $2,355,378 and virtually no natural gas reserves or production. By year-end, the Company had total reserves of 8.2 Bcf of natural gas and 36.2 Mbbls of crude oil and natural gas liquids, a growing production base and a gross undeveloped land position of 10,929 hectares. The financial condition of the Company remained positive with working capital of $636,712 and no long-term debt.

We are extremely satisfied with the results of our 2001 exploration program, which found significant gas reserves at Majorville, Jumpbush and West Jumpbush.

At Majorville, eight wells were drilled and cased as potential gas wells. Five of these wells went on-stream in mid-September and a sixth was recently tied-in and has also commenced production. The remaining two wells drilled were both non-operated - one was subsequently sold to the operator and the other remains a potential gas well.

Activity during 2001 on the Company's Siksika First Nation lands at Jumpbush included drilling and casing four potential gas wells and increasing our working interest in this project to 100% by purchasing the interest of our 50% partner. The acquisition consisted of 75 Mcf/d of natural gas production, shut-in gas reserves and undeveloped acreage supporting a number of drilling locations. We subsequently farmed out a portion of the future drilling obligations on these lands to a third party. Fourth quarter gas production, net to the Company, averaged 175 Mcf/d. Three of the four wells drilled and cased in 2001 were recently tied-in, increasing net gas production from this area to approximately 1 Mmcf/d. Two potential gas wells have been drilled and cased to date this year and are currently being evaluated. Activity for the balance of 2002 includes the drilling of up to four additional locations.

At West Jumpbush, the Company drilled two 100% gas wells during 2001. One of these has been completed and production tested and is expected to be tied-in during the third quarter. One additional location is also budgeted for third quarter drilling.

Financial highlights for the year included raising $3,545,000 and establishing a $750,000 demand revolving term credit facility. In 2001, the Company undertook raising its own equity resulting in modest financing expenses of $23,000. Total capital expenditures of $5,655,678 added 6.3 Bcfe of established gas reserves (proven plus one-half probable), resulting in finding and on-stream costs of $0.90 per Mcfe. Production averaged 607 Mcf/d of natural gas and 5 Bbls/d of crude oil and natural gas liquids, resulting in gross revenues of $916,779. Prices received for natural gas were $3.87 per Mcf while oil and natural gas liquids averaged $30.88 per Bbl. Cash flow from operations increased to $415,125 and the Company managed to post a small profit for the year of $1,208.

Current natural gas production is approximately 2 Mmcf/d. Our goal for 2002 is to continue increasing production, cash flow and earnings without sacrificing our healthy financial position. A capital budget of $3,600,000 has been established for 2002 including the drilling of up to seven wells. We anticipate funding our capital budget through a combination of existing working capital, cash flow and an increase in our line of credit to $1,500,000. Any increase in our bank line will be carefully undertaken to ensure that it represents less than one year of current annualized cash flow. Cash flow of $1,500,000 ($0.03 per share) is anticipated for the year assuming average gas prices of $2.75 per Mcf and average natural gas production of 3.3 Mmcf per day. The average gas production for the year includes anticipated production from two recently drilled wells on Siksika First Nation lands and a third drilled late last year at West Jumpbush. These wells are all expected to go on-stream during the third quarter of 2002. The exact timing and magnitude of production additions from these wells are dependent on the finalization of transportation and facility arrangements.

Early in January 2002, due to increasing time commitments, Mr. Cameron McVeigh resigned as a director. He has been a director of the Company since its inception in late 1999. On behalf of the Board, I would like to thank Mr. McVeigh for his contributions to the Company over the past two years.

On behalf of our Management and the Board,

Steve Dabner
President

March 6, 2002
Calgary, Alberta

Management's Discussion and Analysis of 2001Financial Results

Management has prepared the following discussion and analysis of financial results based on information available as of March 6, 2002. Certain amounts that follow are based on assumptions regarding future events. Actual results will vary from the estimated results and the variations may be significant.

Net Income and Funds From Operations

	2001	*2000*
	$	*$*
Net income (loss)	**1,208**	(37,298)
Per share – basic	**0.00**	(0.00)
Per share – diluted	**0.00**	(0.00)
Funds from operations	**415,125**	118,976
Per share – basic	**0.01**	0.01
Per share – diluted	**0.01**	0.01

Cash flow increased 249% from 2000 to $415,125 as a result of the five wells in the Majorville project area going on-stream in mid-September. The Company managed to report a profit of $1,208 in 2001 as compared to a loss of $37,298 in 2000.

Operating Income and Cash Netbacks

The Company is primarily a natural gas producer with approximately 92% of its production revenue coming from natural gas. Consequently, Moxie converts its production of crude oil and natural gas liquids into thousands of cubic feet equivalent ("Mcfe") on the basis of one barrel of oil and / or natural gas liquids into 10 Mcf of gas.

	2001		*2000*	
	$	*$ / Mcfe*	*$*	*$ / Mcfe*
Oil and gas sales	**916,779**	**3.80**	256,496	5.02
Royalties, net of ARTC	**(188,974)**	**(0.78)**	(62,588)	(1.22)
Production	**(190,914)**	**(0.79)**	(19,381)	(0.38)
	536,891	**2.23**	174,527	3.42

The Company produced 240,964 Mcfe during the year (607 Mcf/d of natural gas and 5 Bbls/d of crude oil and natural gas liquids) as compared to 51,100 Mcfe (140 Mcf/d of natural gas) in 2000. The Company had eight gas wells on-stream at year-end 2001 as compared to one at the end of 2000. Natural gas prices averaged $3.87 per Mcf in 2001, a decrease of 23% from the $5.02 realized in the year 2000. Crude oil and natural gas liquid prices averaged $30.88 per barrel, resulting in a selling price of $3.80 per Mcfe for the year.

Total royalties increased to $188,974 in 2001 as a result of the increase in production volumes. Natural gas royalties decreased 36% on a per unit basis from $1.22 per Mcfe in 2000 to $0.78 per Mcfe in 2001, as a result of lower natural gas prices. Lower prices also contributed to a decline in royalties as a percentage of revenue - from 24% in 2000 to 21% in 2001, as natural gas royalties are sensitive to price changes.

Production costs increased from 2000 levels as a result of the increase in production volumes. Unit production costs increased from $0.38 per Mcfe in 2000 to $0.79 per Mcfe in 2001.

General and Administrative Expense

	2001 ***$***	*2000* *$*
Total general and administrative costs	**498,504**	283,707
Overhead recoveries	**(142,650)**	(47,556)
Capitalized portion	**(177,927)**	(118,076)
General and administrative expense	**177,927**	118,075

Total general and administrative costs were $498,504 in 2001 as compared to $283,707 in 2000. Total overhead recoveries were $142,650 in 2001 versus $47,556 in 2000. General and administrative costs were higher in 2001 as the Company employed four employees and two consultants throughout the entire year. In 2000, the same level of staffing was employed for only a portion of the year. Overhead recoveries were higher during 2001, reflective of increased activity levels throughout the year.

Depletion and Depreciation Expense

Depletion and depreciation expense increased to $378,000 in 2001 as compared to $132,600 in 2000 as a result of the increase in production. The rate per unit declined from $2.59 per mcfe in 2000 to $1.57 per mcfe in 2001 as a result of the success of our 2001 exploration program.

Future Income Deductions

The Company had the following tax pools available for deduction against future taxable income.

	2001 ***$***	*2000* *$*
Cumulative Canadian exploration expense	**815,671**	177,946
Cumulative Canadian development expense	**2,892**	4,127
Cumulative Canadian oil and gas property expense	**1,825,264**	741,588
Undepreciated capital cost	**1,115,433**	80,165
Loss carry forward	**80,682**	80,682
Share issue costs	**183,164**	160,321
	4,023,106	1,244,829

Capital Expenditures

Capital expenditures for 2001 were $5,655,678 as compared to $1,740,753 reported in 2000. The Company drilled a total of 14 wells during 2001 as compared to four during the year 2000. In addition, seven wells were tied-in in during the year – five at Majorville and two on Siksika First Nation lands.

	2001 ***$***	*2000* *$*
Land acquisitions	**1,258,979**	533,368
Seismic costs	**129,763**	281,197
Drilling and completions	**2,798,731**	733,463
Equipping and tie-ins	**1,205,271**	50,444
Overhead recoveries	**85,007**	23,278
Capitalized general and administrative	**177,927**	118,075
Furniture and equipment	**-**	928
	5,655,678	1,740,753

Reserves and Future Net Revenues

McDaniel & Associates Consultants Ltd., an independent petroleum engineering firm, evaluated the reserves in a report effective January 1, 2002. The revenue forecasts presented in this report are based on escalating dollar economics. Future net revenues are stated net of royalties, operating costs, future development costs and abandonment costs and prior to any provision for income tax. Reserve volumes represent working interest reserves before royalty deductions. Probable reserve values and volumes are unrisked. Any benefits for the Alberta Royalty Tax Credit program have been incorporated in the present worth values.

	Working Interest Reserves		***Present Worth Values Before tax Of Future Net Revenues ($000s)***		
	Natural Gas Mmcf	***Oil & Ngls Mbbls***	***0%***	***10%***	***12%***
Proved producing	1,741	10.9	5,303	4,180	4,014
Proved non-producing	2,389	10.6	6,175	4,707	4,497
Total proved	4,130	21.5	11,478	8,887	8,511
Probable	4,062	14.7	11,867	5,930	5,300
Proven and probable	8,192	36.2	23,345	14,817	13,811

The present values reported above were determined using escalating natural gas prices of $4.15 per Mcf in 2002, $4.40 per Mcf in 2003, $4.45 per Mcf in 2004 - 2006 and annual increases thereafter of approximately 2%.

The Company's reserve life index for its natural gas reserves, based on average gas production during the fourth quarter of 2001 and year-end established reserves was 10.3 years.

Reserve Reconciliation

The Company made significant progress during the year 2001 as both proven and probable reserves increased dramatically.

	Natural Gas Mmcf		***Oil & Ngls Mbbls***	
	Proven	***Probable***	***Proven***	***Probable***
Reserves, November 1, 2000	227	303	–	–
Production	(222)	–	(1.9)	–
Additions	4,125	3,759	23.4	14.7
Reserves, January 1, 2002	4,130	4,062	21.5	14.7

Finding and On-stream Costs

The Company focused on building an inventory of drillable prospects during the year 2000, the results of which were realized in the year 2001. Accordingly, the finding and on-stream costs are presented for both the year 2001 and on an historical basis.

	2001	***Historical***
Total P & NG Expenditures	**$5,655,678**	$7,773,417
Reserve additions – Mmcfe		
Proven	**4,359**	4,636
Established (proven & 1/2 probable)	**6,312**	6,740
Finding and on-stream costs		
Proven	**$1.30**	$1.68
Established (proven & 1/2 probable)	**$0.90**	$1.15

Finding and on-stream costs for 2001 based on established reserves added of $0.90 per Mcfe resulted in an average recycle ratio of 2.48 for the year. The recycle ratio is determined by dividing the average netback for the year by the average finding and on-stream costs for the year.

Net Asset Value Per Share

Despite the drastic decline in forecasted natural gas prices, the company realized a significant increase in its net asset value per fully diluted common share.

	2001	***2000***
	$	***$***
Net asset value		
Established reserves discounted at 12%	**11,161,000**	565,050
Undeveloped land valued @ $100 / hectare	**709,000**	524,900
Working capital and other assets	**636,713**	2,355,378
	12,507,713	3,463,328
Common shares outstanding		
Basic	**42,149,412**	27,461,259
Diluted	**48,733,569**	32,093,777
Proceeds on exercise of stock options And warrants	**1,729,495**	1,148,781
Net asset value per common share		
Basic	**0.30**	0.13
Diluted	**0.29**	0.14

Management's Report

To the Shareholders of Moxie Exploration Ltd.

The financial statements of the Company were prepared by Management in accordance with accounting principles generally accepted in Canada. The financial and operating information presented in this report is consistent with that shown in the financial statements.

Management maintains a system of internal controls designed to safeguard assets from loss or unauthorized use and to facilitate the preparation of relevant, reliable and timely financial information.

External auditors appointed by the shareholders have examined the financial statements for the year ended December 31, 2000. The Audit Committee, the majority of which consists of non-management directors, has reviewed these financial statements with management and the auditors and has reported to the Board of Directors. The Board has approved the financial statements.

Steve Dabner
President
March 8, 2002

Thomas Love
Chief Financial Officer

Auditors' Report

To the Shareholders of Moxie Exploration Ltd.

We have audited the balance sheets of Moxie Exploration Ltd. as at December 31, 2001 and 2000 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

Calgary, Canada
March 1, 2002

Ernst & Young LLP
Chartered Accountants

BALANCE SHEETS
As at December 31

	2001 $	2000 $
ASSETS		
Current		
Cash and cash equivalents *[notes 4 and 10]*	**1,635,165**	2,986,093
Accounts receivable	**345,906**	138,567
Prepaid expenses	**79,294**	64,663
	2,060,365	3,189,323
Property and equipment *[note 5]*	**7,299,878**	2,013,199
	9,360,243	5,202,522
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**1,423,653**	833,945
Site restoration and abandonment provision	**11,500**	2,500
Future income taxes *[note 8]*	**1,427,307**	341,419
Shareholders' equity		
Share capital *[note 6]*	**6,533,873**	4,061,956
Deficit	**(36,090)**	(37,298)
	6,497,783	4,024,658
	9,360,243	5,202,522

See accompanying notes

On behalf of the Board:

Steve Dabner
Director

Thomas Love
Director

STATEMENTS OF OPERATIONS AND DEFICIT

Year ended December 31

	2001 $	2000 $
Revenues		
Oil and gas sales	**916,779**	256,496
Royalties	**(188,974)**	(62,588)
Interest	**56,161**	62,524
	783,966	256,432
Expenses		
Production	**190,914**	19,381
General and administrative *[note 5]*	**177,927**	118,075
Depletion and depreciation	**378,000**	132,600
	746,841	270,056
Income (loss) before income taxes	**37,125**	(13,624)
Future income taxes *[note 8]*	**35,917**	23,674
Net income (loss) for the year	**1,208**	(37,298)
Deficit, beginning of year	**(37,298)**	—
Deficit, end of the year	**(36,090)**	(37,298)
Basic and diluted net income (loss) per common share *[notes 3 and 7]*	**0.00**	(0.00)

See accompanying notes

STATEMENTS OF CASH FLOWS

Year ended December 31

	2001 $	2000 $
Operating activities		
Net income (loss) for the year	**1,208**	(37,298)
Add non cash items:		
Depletion and depreciation	**378,000**	132,600
Future income taxes	**35,917**	23,674
Funds from operations	**415,125**	118,976
Net change in non-cash working capital balances *[note 9]*	**(59,737)**	(35,622)
	355,388	83,354
Investing activities		
Purchases of property and equipment	**(5,655,678)**	(1,740,753)
Net change in non-cash working capital balances *[note 9]*	**427,475**	608,497
	(5,228,205)	(1,132,256)
Financing activities		
Proceeds on issuance of share capital, net of issue costs	**3,521,889**	3,287,568
Net change in non-cash working capital balances *[note 9]*	**–**	445,000
	3,521,889	3,732,568
Increase (decrease) in cash and cash equivalents during the year	**(1,350,928)**	2,683,666
Cash and cash equivalents, beginning of year	**2,986,093**	302,427
Cash and cash equivalents, end of year	**1,635,165**	2,986,093

Per share fund flow information *[note 7]*

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

December 31, 2001 and 2000

1. DESCRIPTION OF THE BUSINESS

Moxie Exploration Ltd. (the "Company") was incorporated as 850457 Alberta Ltd. under the *Business Corporations Act* (Alberta) on October 19, 1999 with nominal share capital. On November 19, 1999 the Company changed its name to Moxie Exploration Ltd. The Company is engaged in the exploration for and production of petroleum and natural gas in Alberta.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

a) Property and equipment

i) Capitalized costs

The Company follows the full cost method of accounting, whereby all costs related to the exploration for and development of oil and gas reserves are initially capitalized. Such costs include land acquisition costs, geological and geophysical expenditures, costs of drilling both productive and non-productive wells, equipment costs and that portion of administrative expenses applicable to these activities. Proceeds from disposal of properties will normally be applied as a reduction of the cost of the remaining assets unless the disposal results in a change in the depletion rate by more than 20 percent in which case a gain or loss on disposal will be recorded.

ii) Depletion and depreciation

Depletion of petroleum and natural gas properties and depreciation of production equipment is calculated using the unit-of-production method based on estimated gross proven reserves of petroleum and natural gas before royalties, as determined by independent engineers.

The depletion and depreciation cost base includes total capitalized costs, less costs of unproven properties, plus provision for future development costs of gross proven undeveloped reserves, as determined by independent engineers.

The relative volumes of oil and gas reserves and production are converted at a ratio of ten thousand cubic feet of natural gas to one barrel of crude oil.

Furniture and equipment is depreciated on a declining balance basis over its estimated useful life at a rate of 20%.

iii) Site restoration and abandonment costs

The Company provides for the total future liability for site restoration and abandonment costs on wells and facilities using the unit-of-production method over the estimated life of gross proven reserves. The liability is based on estimates of the anticipated method and extent of site restoration, using current costs and in

accordance with existing legislation and industry practice. The annual charge is included in depletion and depreciation in the statement of operations and deficit. Actual site restoration and abandonment costs are applied against the accumulated provision as incurred.

iv) Ceiling test
The Company applies an annual ceiling test to capitalized costs, net of recorded future income taxes and the accumulated site restoration provision, to ensure that the net carrying value does not exceed the estimated value of future net cash flow from production of proven reserves, less estimated future general and administrative expenses, financing costs, future site restoration and abandonment costs and income taxes. Any reduction in value, as a result of the ceiling test, is charged to operations as additional depletion and depreciation.

b) Measurement uncertainty

The amount recorded for depletion of oil and gas properties is based on estimates. The ceiling test calculation is based on estimates of proven reserves, production rates, oil and gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future years could be significant.

c) Joint interests

A significant portion of the Company's exploration and development activities are conducted jointly with others, and accordingly these financial statements reflect only the Company's proportionate interest in such activities.

d) Flow-through shares

The Company finances a portion of its exploration and development activities through the issue of flow-through shares. Under the terms of the flow-through share issues, the tax attributes of the related expenditures are renounced to subscribers. To recognize the foregone tax benefits to the Company, share capital is reduced and future income taxes is increased by the estimated amount of future income taxes payable when the expenditures are incurred and renounced to the subscribers.

e) Income taxes

The Company follows the liability method of accounting for income taxes. Under this method future tax assets and liabilities are determined based on differences between financial reporting and income tax bases of assets and liabilities, and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect on future tax assets and liabilities of a change in tax rates is recognized in net income in the period in which the change occurs.

f) Financial instruments

The Company's financial instruments reported in the balance sheets consist of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying amounts.

g) Stock based compensation

The Company has a stock based compensation plan, which is described in note 6. No compensation expense is recognized for this plan when stock options are issued to employees, directors or key consultants. Any consideration paid by employees, directors or key consultants on exercise of stock options is credited to share capital.

3. CHANGE IN ACCOUNTING FOR PER SHARE AMOUNTS

Effective January 1, 2001, the Company adopted the new Canadian Institute of Chartered Accountants' recommendations for determining per share amounts. The new standard utilizes the treasury stock method in the determination of diluted per share amounts. Under this method, the diluted weighted average number of shares is calculated assuming the proceeds that arise from the exercise of outstanding in the money options and warrants are used to purchase shares of the Company at their average market price for the period. Comparative per share amounts for 2000 have been restated.

Prior to the adoption of the new recommendation, diluted per share amounts were determined using the imputed earnings method.

4. CASH AND CASH EQUIVALENTS

	2001 **$**	2000 $
Cash in bank	**231,063**	299,033
Money market fund	**1,404,102**	2,687,060
	1,635,165	2,986,093

The Company has 140,410 units (2000 – 268,706), at a price of $10 each, in a bank administered money market fund, which consists of investments in short-term debt securities.

5. PROPERTY AND EQUIPMENT

	2001		2000	
	Cost **$**	**Net Book Value** **$**	Cost $	Net Book Value $
Petroleum and natural gas properties and production equipment	**7,773,417**	**7,283,417**	2,117,738	1,992,738
Furniture and equipment	**25,561**	**16,461**	25,561	20,461
	7,798,978	**7,299,878**	2,143,299	2,013,199

As at December 31, 2001, petroleum and natural gas properties include unproven properties of $1,420,750 (2000 - $967,000) which have been excluded from costs subject to depletion.

The Company capitalizes that portion of general and administrative costs relating to acquisition, exploration and development activities. In 2001, the Company capitalized 50% (2000 – 50%) of general and administrative costs, net of overhead recoveries as follows:

	2001	2000
	$	$
Total general and administrative costs	**498,504**	283,707
Overhead recoveries	**(142,650)**	(47,556)
Capitalized portion	**(177,927)**	(118,076)
General and administrative expense	**177,927**	118,075

6. SHARE CAPITAL

Authorized

Unlimited number of voting common shares without nominal or par value.
Unlimited number of first preferred shares issuable in series.

	2001		2000	
Issued and outstanding	**Number**	**$**	Number	$
Common shares				
Balance, beginning of period	**27,461,259**	**4,061,956**	14,092,654	957,158
Acquisition of properties	—	—	1,473	—
Private placements	**14,688,153**	**3,544,621**	3,972,029	1,185,999
Rights offering	—	—	9,395,103	2,301,970
Share issue costs, net of future income taxes	—	**(12,633)**	—	(111,223)
Less: tax benefits relating to qualifying expenditures renounced	—	**(1,060,071)**	—	(271,948)
Balance, end of year	**42,149,412**	**6,533,873**	27,461,259	4,061,956

Rights offering

On August 3, 2000, the Company completed a rights offering whereby 9,395,103 common shares were issued for aggregate proceeds of $2,301,970. This offering consisted of 4,700,939 flow-through shares at $0.27 per share and 4,694,164 common shares at $0.22 per share. During 2000 the Company renounced for income tax purposes to the holders of the flow-through shares, exploration and development expenditures of $1,269,254, all of which had been incurred by December 31, 2001 (2000 - $609,476).

Private Placements

On November 21, 2001 the Company completed a private placement whereby 6,120,000 flow-through common shares were issued at $0.25 per share for aggregate proceeds of $1,530,000. During 2001, the Company renounced for income tax purposes, to the holders of the flow-through shares, exploration and development expenditures of $1,530,000, of which $530,000 had been incurred by December 31, 2001.

On June 27, 2001 the Company completed a private placement whereby 6,370,873 common shares were issued at a price of $0.23 per share and 2,197,280 units were issued at a price of $0.25 per unit for aggregate proceeds of $2,014,621. Each unit consisted of one common share and one-half common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of $0.35 per share at any time prior to June 27, 2003, however, if after January 1, 2002, the 20 day weighted average trading price of the common shares is greater than $0.45, the expiry date of the warrants may be accelerated by the Company.

On December 14, 2000 the Company completed a private placement whereby 3,785,034 units were issued at $0.30 per unit for aggregate proceeds of $1,135,510. Each unit consisted of one flow-through common share and one-half common share purchase warrant. Each warrant entitles the holder to acquire one common share at $0.35 per share at any time prior to December 14, 2002, however, if after July 1, 2001, the 20 day weighted average trading price of the common shares is greater than $0.45, then the expiry date of the warrants may be accelerated by the Company. During 2000, the Company renounced for income tax purposes, to the holders of the flow-through shares, exploration and development expenditures of $1,135,510, all of which had been incurred by December 31, 2001 (2000 - $ nil).

On September 15, 2000, the Company completed a private placement whereby 186,995 flow-through common shares were issued at a price of $0.27 per share to certain officers of the Company for gross proceeds of $50,489. During 2000, the Company renounced for income tax purposes to the holders of the flow-through shares, exploration and development expenditures of $50,489, all of which had been incurred by December 31, 2001 (2000 - $ nil).

Stock options

The Company has a stock option plan under which employees, directors and key consultants are eligible to receive options to purchase common shares of the Company. The total number of options granted under this plan may not exceed 10% of the number of common shares outstanding. The exercise price of each option is not less than the market price of the Corporation's stock on the date of the grant. Options granted under the plan have a term of five years to expiry and vest equally over three years starting on the first anniversary of the grant. No compensation expense is recognized when stock options are either issued or exercised. At December 31, 2001 there were 3,593,000 options with exercise prices between $0.10 and $0.30 outstanding and exercisable at various dates to 2006.

The following is a continuity of stock options outstanding for which shares have been reserved:

	2001		2000	
	Shares	**Weighted Average Exercise Price**	Shares	Weighted Average Exercise Price
		$		$
Opening	**2,740,000**	**0.18**	1,330,000	0.10
Granted	**853,000**	**0.23**	1,410,000	0.25
Exercised	—	—	—	—
Cancelled	—	—	—	—
Closing	**3,593,000**	**0.19**	2,740,000	0.18

The following summarizes information about stock options outstanding at December 31, 2001:

Exercise Price $	Number Outstanding at December 31 2001	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price $	Number Exercisable at December 31, 2001	Weighted Average Exercise Price $
0.10	1,330,000	3.0	0.10	886,667	0.10
0.22	870,000	3.6	0.22	290,000	0.22
0.30	540,000	4.0	0.30	180,000	0.30
0.23	853,000	4.6	0.23	—	0.23
	3,593,000	3.9	0.19	1,356,667	0.15

On January 14, 2002 the Company granted 585,000 stock options with an exercise price of $0.23. These options vest in equal increments over a three year period, and expire on January 14, 2007.

Share issue costs

Share issue costs of $22,733 were incurred in 2001 (2000 - $200,401).

7. NET INCOME (LOSS) AND FUNDS FROM OPERATIONS PER COMMON SHARE

	2001		2000	
	Basic $	**Diluted $**	Basic $	Diluted $
Net income (loss) per common share	**0.00**	**0.00**	(0.00)	(0.00)
Funds from operations per common share	**0.01**	**0.01**	0.01	0.01

Net income (loss) per common share and funds from operations per common share have been calculated based upon the weighted average number of common shares outstanding during the year ended December 31, 2001 of 32,561,897 (2000 - 18,415,475).

8. FUTURE INCOME TAXES

The income tax provision differs from the income taxes obtained by applying the Canadian corporate tax rate to income (loss) before taxes as follows:

	2001 **$**	2000 $
Corporate tax rate	**43.12%**	44.62%
Calculated income tax expense (recovery)	**16,565**	(6,079)
Increase resulting from:		
Non-deductible crown charges	**83,322**	27,927
Alberta Royalty Tax Credit	**(16,256)**	—
Resource allowance	**(36,782)**	1,215
Rate reduction	**(11,477)**	—
Other	**545**	611
Future income tax expense	**35,917**	23,674

Components of future income taxes

The net future tax liability comprises:

	2001 $	2000 $
Differences between tax base and reported amounts of depreciable assets	**(1,579,824)**	(415,454)
Share issue costs	**81,728**	71,535
Other	**70,789**	2,500
	(1,427,307)	(341,419)

As at December 31, 2001, the Company has tax pools of approximately $4,023,000 (2000 - $1,245,000) available for deduction against future taxable income.

9. CHANGE IN NON-CASH WORKING CAPITAL

	2001 $	2000 $
Changes in non-cash working capital:		
Accounts receivable	**(207,339)**	367,628
Prepaid expenses	**(14,631)**	(64,663)
Accounts payable and accrued liabilities	**589,708**	714,910
	367,738	1,017,875
Attributable to:		
Operating activities	**(59,737)**	(35,622)
Investing activities	**427,475**	608,497
Financing activities	**—**	445,000
Change attributable to operating activities	**367,738**	1,017,875

10. CREDIT FACILITIES

During the year, the Company entered into a $750,000 credit facility arrangement with a Canadian chartered bank. Borrowings under this facility bear interest at the bank's prime rate plus 1%, and are repayable on demand. The Company has pledged as collateral a general security agreement over existing and future property of the Company and a hypothecation of funds held on deposit with the bank.

Corporate Information

Board of Directors
Steve Dabner
President & C.E.O.
Moxie Exploration Ltd.
Chestermere, Alberta

John Gareau
Independent Businessman
Calgary, Alberta

Thomas Love
Chairman & C.F.O.
Moxie Exploration Ltd.
Calgary, Alberta

Randy Pawliw
Independent Businessman
Priddis, Alberta

Independent Evaluators
McDaniel & Associates Consultants Ltd.
Calgary, Alberta

Banker
National Bank of Canada
Calgary, Alberta

Solicitors
Bennett Jones LLP
Calgary, Alberta

Stock Exchange Listing
Canadian Venture Exchange
Trading Symbol - MXE

Officers
Steve Dabner
President & C.E.O.

Thomas Love
Chairman & C.F.O.

Mike Woloschuk
Vice President, Operations

Tom Selkirk
Vice President, Exploration

William Rice
Secretary

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